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Message Text

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20
ACTION EA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 /092 W
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P R 250545Z JUL 75
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 1899
INFO CINCPAC HONOLULU HAWAII
CINCPACREP GUAM/TTPI

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E. O. 11652: GDS
TAGS: EINV, JA, TQ, ENRG, IR
SUBJ: PALAU CTS PROJECT

REF: STATE 172886

CINCPACREP PASS HICOM AND STATUS LNO SAIPAN
CINCPAC FOR POLAD

1. EMBOFF ACCOMPANIED FRED M. ZEDER, DIRECTOR, OFFICE OF TERRITO-
RIES, INTERIOR DEPT., AND ROBERT QUIGLEY, TTPI PROCUREMENT OFFICER,
ON CALL ON NISSHO-IWAI TO DISCUSS PALAU CENTRAL TRANSIT STATION
CTS) PROJECT. ACCORDING TO PROJECT DIRECTRO TAKEDA AND E. KOIZUMI,
SECRETARY TO THE PRESIDENT, PALAU PROJECT IS STILL ONLY IN PRELIM-
INARY STUDY STAGE. THE COMPANY HOPES TO ANNOUNCE WITHIN A MONTH OR
TWO THAT AN INTERNATIONAL CONSORTIUM, INCLUDING AN AS YET UNNAMED
U.S. PARTNER WILL CARRY OUT A DETAILED FEASIBILITY STUDY WITHIN
THE NEXT 10-12 MONTHS. CONTRACTOR FOR THE STUDY WOULD BE LONG-TIME
NISSHO-IWAI ASSOCIATE F. HARRIS ENGINEERING CO.

2. NISSHO-IWAI PRESIDENT TSUJI WAS AMONG JAPANESE REPRESENTATIVES
AT JUNE 11 TEHRAN MEETING. ACCORDING TO TAKEDUGN IRANIAN PRIME
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MINISTER EXPRESSED INTEREST IN PALAU PROJECT BUT INDICATED IRAN

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WILL RESERVE COMMITMENT UNTIL RESULTS OF FEASIBILITY STUDY ARE KNOWN.

3. AS PRESENTLY CONCEIVED, THE PALAU CTS WOULD ACCOMMODATE 15 MILLION METRIC TONS OF IRANIAN CRUDE (ABOUT 5 PERCENT OF JAPAN'S CURRENT ANNUAL CONSUMPTION), WOULD COST $300 TO $500 MILLION AND IS SCHEDULED FOR COMPLETION NO EARLIER THAN MID-1979, WHEN IT WOULD EMPLOY 200 PALAUANS AND 100 EXPATRIATES.

4. ALTHOUGH THE INDUSTRIAL BANK OF JAPAN WOULD BE THE LEAD BANK, THE ENORMOUS COST WILL REQUIRE JAPAN EXIM BANK CREDITS AND STRONG GOJ SUPPORT. NISSHO-IWAI HAS NOT, HOWEVER, MADE A FORMAL PRESENT-ATION TO MITI, PENDING COMPLETIONG OF THE FEASIBILITY STUDY.

5. ZEDER AND QUIGLEY STRESSED TO NISSHO-IWAI NEED TO INCORPORATE IN CTS PLANS: 1) TRAINING PROGRAMS FOR PALAUANS AIMED AT PRODUCING MANAGEMENT SKILLS; AND 2) ADEQUATE ENVIRONMENTAL PROTECTION MEA-SURES. NISSHO-IWAI OFFICIALS ALSO INDICATED UNDERSTANDING OF POL-ITACAL AND SECURITY IMPLICATIONS OF CTS PROJECT.

6. COMMENT: THE APALAU CTS PROJECT FACES STIFF COMPETITION FROM A PROPOSAL TO BUILD A SLIGHTLY LARGER (20 MILLION METRIC TONS) FACI-LITY IN INDONESIA FOR TRANSSHIPMENT OF CRUDE FROM SAUDI ARABIA. ALTHOUGH NEITHER PROJECT HAS PROGRESSED TO THE POINT OF PRIVATE INDUSTRY COMMITMENT, LET ALONG GOJ APPROVAL, INDONESIAN PROJECT PROBABLY HAS THE INSIDE TRACK. JAPAN HAS A LONG TERM INTEREST IN SOLIDIFYING RELATIONS WITH INDONESIA AS A SOURCE OF RAW MATERIALS AND MARKET FOR FINISHED GOODS, AND PRESIDENT SUHARTO MADE A CON-CERTED PITCH FOR THE PROJECT DURING HIS VISIT TO JAPAN IN EARLY JULY. THE INDONESIAN PLAN ALSO ENJOYS STRONG SUPPORT IN MITI AND FROM FORMER HIGH RANKING MITI OFFICIALS WHOSE INFLUENCE MAY BE DECISIVE.

ON THE OTHER HAND, AS U.S. ADMINISTERED TERRITORY, PALAU WOULD OFFER GREATER SECURITY AND DEPENDING ON FINAL AGREED DEFINITION COULD POSSIBLY QUALIFY AS PART OF EMERGENCY SUPPLIES REQUIRED BY IEA. ALTHOUGH ACCURATE ASSESSMENTS OF COST DIFFERENCES BETWEEN TWO PROJECTS MUST AWAIT RESULTS OF FEASIBILITY STUDY, FINAL DECISION WILL PROBABLY REST MORE ON POLITICAL THAN ECONOMIC GROUNDS. IN ANY CASE, DECISION IS AT THE EARLIEST A YEAR AWAY AND COMPLETION OF EITHER PROJECT WILL NOT BE BEFORE THE EARLY 1980'S.
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